

**CITY OF TABOR  
INDEPENDENT ACCOUNTANT'S  
REPORT ON THE STATUS OF PERIODIC EXAMINATION  
FINDINGS AND RECOMMENDATIONS  
  
FOR THE PERIOD  
DECEMBER 1, 2015 THROUGH MAY 31, 2016**

## Table of Contents

	<u>Page</u>
Officials	3
Independent Accountant's Report on the Status of Periodic Examination Findings and Recommendations	5
 Detailed Recommendations:	 <u>Finding</u>
Segregation of Duties	A 7 - 8
City Council Minutes	B 8
Certified Budget	C 8
Disbursements	D 8
Transfers	E 9
Payroll	F 9
Pre-numbered Receipts	G 9
Financial Condition	H 9
Bank Reconciliations	I 10
Journal Entries	J 10
Local Option Sales Tax	K 10
Electronic Check Retention	L 11
Separately Maintained Records	M 11
Investments	N 11
Computer System	O 12
Utility Billing	P 12
Credit Card Policy	Q 12
 Additional Findings Identified During Follow-up Procedures:	
City Council Meeting Minutes	R 13
Financial Condition	S 13
Certified Budget	T 13

## City of Tabor

### Officials

<b>Before January 2016</b>		
<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Denise Hammer	Mayor	January,2016
Ross Silcock	Council Member	January 2016
Randy Wirth	Council Member	January 2018
Gean Clapper	Council Member	January 2016
Arlene Bartholomew	Council Member	January 2018
Jim Switzer	Council Member	January 2018
Jami Meston	City Clerk	Indefinite
Matt Woods	Attorney	Indefinite

<b>After January 2016</b>		
<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jim Switzer	Mayor	January,2018
Ross Silcock	Council Member	January 2020
Randy Wirth	Council Member	January 2018
Gean Clapper	Council Member	January 2020
Arlene Bartholomew	Council Member	January 2018
Jennifer Williams	Council Member	January 2018
Jami Meston	City Clerk	Indefinite
Matt Woods	Attorney	Indefinite

**City of Tabor**

# MUXFELDT ASSOCIATES, CPA, P.C.

October 11, 2016

Certified Public Accountant

## Independent Accountant's Report on the Status of Periodic Examination Findings and Recommendations

To the Honorable Mayor  
and Members of the City Council:

**Lonnie G. Muxfeldt**  
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Accountant

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### **Licensed In:**

Iowa  
Missouri

Muxfeldt Associates, CPA, P.C. issued a Periodic Examination Report dated December 4, 2014 on the City of Tabor, Iowa covering the period August 1, 2013 through July 31, 2014 pursuant to Chapter 11.6 of the Code of Iowa. The report included certain findings and recommendations pertaining to the City's financial processes and compliance with laws and regulations.

This report includes the findings and recommendations from the City's Periodic Examination Report date December 4, 2014 and the current status of the City's implementation of the recommendations included in that report. It also includes additional findings and recommendations for other issues identified during our follow-up procedures.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity. Many of the findings included in this report indicate the City Council needs to exercise additional fiduciary oversight.

Oversight by the City Council is essential and should be an ongoing effort by all members. The City Council should exercise due care and require and review pertinent information and documentation to ensure the reliability of financial information and compliance with laws and regulations. Appropriate policies and procedures should be adopted, implemented and monitored to ensure compliance.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Tabor and other parties to whom the City of Tabor may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Tabor during the course of my follow-up procedures. Should you have questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

*Muxfeldt Associates, CPA, P.C.*

**Report on the Status of Periodic Examination  
Findings and Recommendations**

## City of Tabor

### Report on the Status of Periodic Examination Findings and Recommendations

#### **Findings Reported in the Periodic Examination Report dated December 4, 2014:**

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:
- (1) Cash – handling, reconciling and recording.
  - (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
  - (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
  - (4) Payroll – recordkeeping, preparation and distribution.
  - (5) Financial reporting – preparing and reconciling.
  - (6) Journal entries – preparing and journalizing.
  - (7) Accounting System – performing all general accounting functions including journal entries and having custody of assets.
  - (8) Computer system – performing all general accounting functions and controlling all data input and output.
  - (9) Investing – recordkeeping, investing, custody of investments and reconciling earnings,
  - (10) Debt – recordkeeping, compliance and debt payments.

For the City Library, one individual has control over each of the following areas:

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements – preparing, recording and reconciling.
- (3) Cash – handling, reconciling and recording.

Recommendation – I realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations and journal entries should be evidenced by the signature or initials of the reviewer and the date of the review.

**Current Status – Partially Corrected. There have been additional review processes implemented by the City Council for some of the internal control items listed above but because of the limited staff, many items remain uncorrected.**

## City of Tabor

### Report on the Status of Periodic Examination Findings and Recommendations

- (B) City Council Minutes – Chapter 372.13 (6) of the Code of Iowa requires that the minutes of all City Council proceedings be published within fifteen days of the meeting and include a summary of total receipts received by each fund, a summary of total disbursements from each fund, a summary of ordinances or amendments adopted and annual individual gross salaries are published as required. Although the minutes were published within fifteen days, none of the minutes tested included total disbursements summaries by fund. There were two instances found during testing where resolutions were passed with one or more Council members absent. There was two instances where minutes were not signed.

Recommendation – The City should comply with the Code of Iowa and publish minutes that include a summary of disbursements by fund. The city should comply with Chapter 380.4 of the Code of Iowa and refrain from voting on ordinances, amendments and resolutions unless all seats of the council are present at such meeting. The City should consult legal counsel as to the validity of resolutions and ordinances passed without proper representation of all Council seats. The City should comply with Chapter 373.13 (6) of the Iowa Code and have all Council minutes signed by the appropriate official.

**Current Status – Partially corrected. As of the date of this report the City has corrected the issue of resolutions passed without proper representation. In addition, see finding (R).**

- (C) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in general government. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

**Current Status – Not corrected. The recommendation is repeated. In addition, see finding (T).**

- (D) Disbursement – Invoices and other supporting documentation was not present for one disbursement tested.

Recommendation – All disbursements should be supported by invoices or other supporting documentation.

**Current Status – Corrected.**



City of Tabor

Report on the Status of Periodic Examination Findings and Recommendations

- (E) Transfers – An Emergency Fund transfer was between funds was not approved by the City Council.

Recommendation – The City Council should approve all inter fund transfers prior to the actual transfer and document the approval and amounts as part of the Council minutes.

**Current Status – Corrected.**

- (F) Payroll – Although time sheets are maintained for hourly employees, there are no time sheets for salaried employees to adequately track compensation time and there is no indication that the time worked has been reviewed or approved by appropriate supervisory personnel prior to payment.

Recommendation – Appropriate supervisory personnel should review and approve all employee hours before payroll checks are issued.

**Current Status – Corrected.**

- (G) Pre-numbered Receipts – Pre-numbered receipts were not issued for all collections.

Recommendation -- The City should establish a protocol for using pre-numbered receipts for collections of City funds.

**Current Status – Corrected.**

- (H) Financial Condition – The Water Enterprise, and Sewer Enterprise Funds had deficit balances.

Recommendation – The City should investigate alternatives to eliminate the deficit balances in order to return these funds to a sound financial condition.

**Current Status – Corrected. In addition, see finding (S).**

## City of Tabor

### Report on the Status of Periodic Examination Findings and Recommendations

- (I) Bank Reconciliations – The cash and investments balances in the City’s general ledger were not reconciled to the bank and investment accounts balances monthly. Although the cash balances in the City’s general ledger were reconciled monthly, there was no independent review of the bank reconciliations.

Recommendation – The City should establish procedures to ensure bank and investments account balances are reconciled to the general ledger monthly and an independent person should review the reconciliations and document the review by signing or initialing the reconciliation.

**Current Status – Corrected.**

- (J) Journal Entries – Journal entries are not reviewed and approved by an independent person.

Recommendation – An independent person should review and approve all journal entries. Approval should be documented by signing or initialing and dating the journal entries.

**Current Status – Corrected.**

- (K) Local Option Sales Tax – Local option sales tax (LOST) receipts are recorded in the general fund. The LOST ballot requires the receipts be used for specific purposes. During the year, LOST disbursements were not tracked in a manner which documented compliance with LOST ballot referendum provisions and annual City Council resolutions.

Recommendation – The City should establish a Special Revenue, Local Option Sales Tax Fund to record the collection, disbursement and balance of all LOST funds to document Compliance with the LOST ballot referendum provisions.

**Current Status – Corrected.**

## City of Tabor

### Report on the Status of Periodic Examination Findings and Recommendations

- (L) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

**Current Status – Corrected.**

- (M) Separately Maintained Records – The City Library maintains separate accounting records the transactions are included in the City's Annual Financial Report, but not on monthly reports and the disbursements are not approved by the City Council before issuance.

Recommendation – Chapter 384.20 of the Code of Iowa states in part "A City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any City purpose." For better accountability, financial and budgetary control, the financial activity of all City accounts should not only be included in the city's accounting records, but should be approved by the City Council before issuance of disbursements of the Library.

**Current Status – Corrected.**

- (N) Investments – An accounting record or register is not maintained for each investment.

Recommendation – An accounting record or register for each investment which includes cost, description, date purchased, interest rate, maturity date and identifying number should be maintained.

**Current Status – Not Corrected. Recommendation is repeated.**

## City of Tabor

### Report on the Status of Periodic Examination Findings and Recommendations

(O) Computer System – The following weaknesses in the City’s computer system were noted:

The City does not have written policies and procedures for:

1. Password privacy and confidentiality.
2. Requiring password changes periodically.
3. Allowing only authorized personnel to request password resetting.
4. Not allowing another employee to request a reset of password for another employee and then having access to this password.

Recommendation – The City should develop written policies and procedures addressing the above items to improve the City’s internal Control over the computer system.

**Current Status – Not Corrected. Recommendation is repeated.**

(P) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent account listing was not prepared monthly.

Recommendation – A listing of delinquent accounts should be prepared monthly. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts.

**Current Status – Corrected.**

(Q) Credit Card Policy – The City has a credit card for use by various employees while on City business. The City does has not adopted a formal policy to regulate the use of the credit card and to establish procedures for proper accounting of the credit card.

Recommendation – The City should adopt a formal policy regulating the use of the City’s credit card. The policy, at a minimum, should address who controls the credit card, who is authorized to use the credit card and for what purposes, as well as the types of supporting documentation required to support the purchase. The policy may also set a dollar limit per purchase.

**Current Status – Not Corrected. Recommendation is repeated.**

City of Tabor

Report on the Status of Periodic Examination Findings and Recommendations

**Additional Findings as a Result of Follow-up procedures:**

- (R) City Council Minutes -- There were two instances in the City Council minutes where resolutions were indicated as passed but there was no indication of a vote or summary of the actual vote.

Recommendation – There should be an indication of the voting of the resolutions passed (or failed) included in the minutes.

- (S) Financial Condition – The Capital Projects Fund had a deficit balance.

Recommendation – The City should investigate alternatives to eliminate the deficit balance in order to return the fund to a sound financial condition.

- (T) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in general government and business type activities. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under annual or continuing appropriations.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget

## NEWS RELEASE

Muxfeldt Associates, CPA, P.C. today released a Report on the Status of Findings and Recommendations on the City of Tabor's Periodic Examination Report dated December 4 2014. The engagement was performed pursuant to Chapter 11.6 of the Code of Iowa and covered the period December 1, 2015 through May 31, 2016.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity. Many of the findings included in this report indicate the City Council needs to exercise additional fiduciary oversight. All seventeen findings reported in the Periodic Examination Report dated December 4, 2014 are repeated in this report. While the City corrected eleven of the seventeen findings and partially corrected two of the findings, four of the findings are reported as "not corrected". Three additional findings identified during the follow-up procedures are also included in this report.

A copy of the Report on the Status of Findings and Recommendations from the City of Tabor's Periodic Examination Report dated December 4 2014 is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index>.